

Consumer Alert: Employers Mutual, LLC

Actions taken by state and federal regulators

Issued: 3/6/02

State regulators have issued consumer advisories or legal orders against Employers Mutual, LLC, and affiliated entities for allegedly offering unauthorized insurance.

The Kentucky Department of Insurance wants consumers to know that this company is not authorized to do business in the Commonwealth. (Please do not confuse Employers Mutual LLC with other similarly named companies that are properly authorized in Kentucky, such as Kentucky Employers' Mutual Insurance.)

In addition to Employers Mutual, LLC, there are other entities seeking to sell unauthorized insurance in Kentucky. See Kentucky's pending action against TRG by clicking here:

http://Insurance.ky.gov/Internet/Static_Info.aspx?Div_ID=3&Static_ID=31

Consumers can find a list of properly authorized insurers in Kentucky by clicking here

<http://Insurance.ky.gov/Kentucky/Documents/pubhealthlist.pdf>.

Highlights of the Texas action against Employers Mutual LLC: On October 4, 2001, the Texas Department of Insurance issued an emergency cease and desist order against Employers Mutual, L.L.C., American Benefit Society, Sierra Administration, Inc., William R. Kokott, Nicholas E. Angelos and 16 associations who have sold purported health insurance coverage to Texas residents. This order prohibits those entities and individuals from conducting any further unauthorized insurance business in Texas. The commissioner issued this order upon evidence that the companies and individuals were engaging in the unauthorized business of insurance in violation Texas law and were also committing unfair and deceptive acts. The Department was further provided with compelling evidence that Employers Mutual had ceased paying its claims administrator in September and that, beginning October 1, 2001, claims were no longer being paid. Thus, Employers Mutual and its associates were continuing to collect premiums from Texas enrollees and not advising them that the plan was not paying claims.

A hearing was held regarding the cease and desist order on November 12, 2001, and neither Employers Mutual nor its associates contested the order's prohibition on them receiving or collecting further premiums or fees in violation of state law. Thus, if you have not already obtained other health insurance coverage, you may want to consider doing so now.

The Department has been asked whether existing claims can be paid. Sections 101.201 and 101.202 of the Texas Insurance Code do allow unauthorized insurers to honor their contractual obligations without being in violation of an emergency cease and desist order. These statutes allow suits against unauthorized insurers for claims or losses under the insurance contract, **and** allow unauthorized insurers to make payments in order to avoid such suits when demand is made. Thus, if you have unpaid claims, you may consider sending a written demand for payment to Employers Mutual.

An emergency cease and desist order also does not prevent an unauthorized insurer from refunding monies received from enrollees. Again, however, it is the option of the enrollee to choose whether to enforce the contract or accept such a refund. You may wish to consult your own attorney about whether the acceptance of any refunds would prevent you from enforcing your contractual rights regarding claims.

Finally, enrollees may be able to seek payment of unpaid claims or losses from **anyone** involved in selling them the plan. Under §101.201(a) of the Insurance Code, anyone who assisted in the procurement of unauthorized insurance is liable for the full amount of any claim or loss under the terms of the contract if the unauthorized insurer fails to pay it. If you have claims that Employers Mutual has refused to pay, you may consider sending a demand for payment to your agent.

For more details about the Texas actions, click here

<http://www.tdi.state.tx.us/consumer/ca111901.html>

Highlights of the U.S. Labor actions against Employers Mutual LLC: The United States Department of Labor has initiated an action for ERISA violations in the United States District Court, District of Nevada against Employers Mutual, LLC, 16 trade associations, American Benefit Society, William R. Kokott, Nicholas E. Angelos, James Graf, and other entities and individuals. In that action, a Temporary Restraining Order and Order to Show Cause was entered on December 13, 2001, which appointed an independent fiduciary. The independent fiduciary is Thomas Dillon. His telephone number is (650) 558-8384. It may be difficult to reach Mr. Dillon. The U.S. Department of Labor has informed the Texas Department of Insurance that the fiduciary will send a letter to consumers when appropriate. For general information regarding the U.S. Department of Labor's action, see [**Labor Department Sues Nevada Associations and Principals for Misusing Over \\$6 Million in Health Assets.**](#)

Other related links:

Action in Iowa: <http://www.iid.state.ia.us/docs/press121801b.pdf>